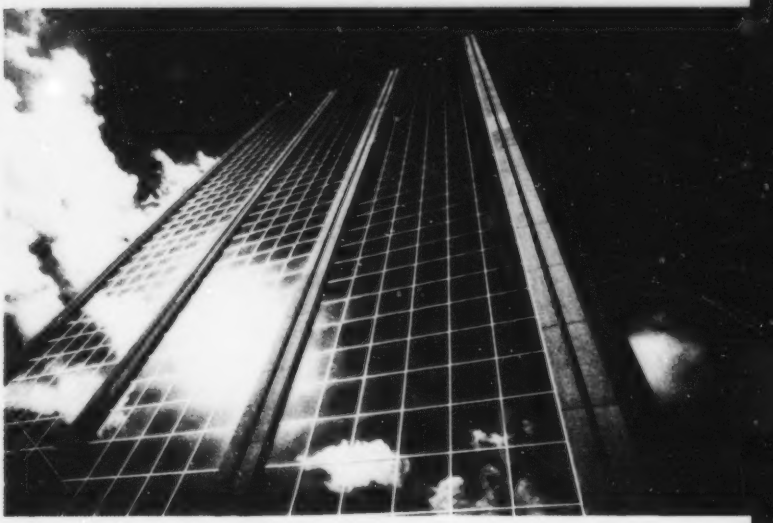
Alberta's

NEW ECONOMY



A REPORT TO ALBERTANS

September 2000

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Alberta's
NEW ECONOMY

A Message from Premier Ralph Klein

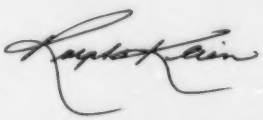
All around us, Alberta's economy is working to make this province the best place to live, work and raise a family. The signs are everywhere: employment and wages, consumer spending, and production are up; unemployment, debt, and taxes are down.

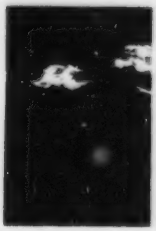
The new century has brought new economic forces into play. Globalization, diversification and technology have changed the way we do business. Oil, gas and agriculture – traditionally the cornerstones of Alberta's economy – are still important. Now, value-added manufacturing, such as agri-food, petrochemicals and forest products; and knowledge-based industries, like information, communications and technology are coming into their own, helping to create and sustain growth. These are part of Alberta's new economy.

The new economy is driven by Albertans themselves – the people who work hard, create new opportunities with innovation and entrepreneurial spirit, and make this province a vibrant and rewarding place to live. It is Albertans who have earned the credit for making this province a leader in Canada and the world.

This booklet is a report to Albertans about the new economy: how it's developing, where growth is occurring, and what the government is doing to prepare for the future.

All Albertans have an interest in the province's economy, and all have a role to play in its future. I invite you to share your thoughts, ideas and questions about Alberta's new economy by writing to government or completing an electronic feedback form at the Internet address listed on the inside back cover. Your input makes a difference.





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This spring, a Portland, Oregon-based company opened a web-enabled customer service centre in Edmonton that will service e-commerce clients across the United States and Canada.

An information technology company from Quebec, with offices in both of Alberta's largest cities, recently secured new space to increase its Calgary operation by up to 80 people.

In May, an Atlanta, Georgia-based company opened a research and development facility for wireless technologies in Calgary. The facility's employment currently stands at 25 people, and is expected to grow to 200 by the end of 2001, including 175 engineers.

A company that specializes in providing software and networking infrastructure opened an Alberta office in June to service Western Canada and act as a door to the markets in Silicon Valley and the Far East.

A company headquartered in Cincinnati, Ohio will open a customer care and billing services centre this fall in Alberta, creating 1,000 new jobs over the next two years.

These are examples of Alberta's new economy in action. The new economy is diversified and growing – sustainably. It's providing more jobs and better wages for Albertans. It's helping to keep taxes lower, and the quality of life higher, than in any other province in Canada. Read on to find out more about Alberta's new economy.

Alberta's
NEW ECONOMY

Diversified and Growing

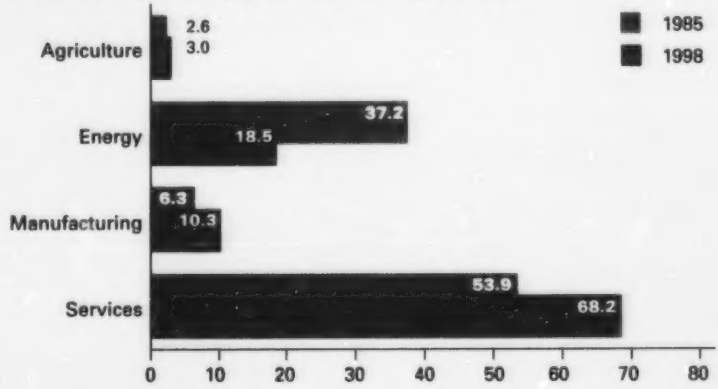
less reliance on oil and gas

Alberta's fortunes used to rise and fall with the tides of volatile and unpredictable oil and natural gas prices. Once accounting for nearly 40 percent of Alberta's gross domestic product (GDP) in 1985, the energy sector has fallen to less than 19 percent of GDP today as other sectors have grown.

Rising energy prices, however, have helped to produce budget surpluses that permit one-time spending to improve our infrastructure.

Diversification in Alberta

Nominal GDP by Industry (percent of all industry total)



growth in manufacturing, service and technology sectors

Manufacturing economic output is up 24 percent since 1985, raising its share of the Alberta economy from 6.3 percent in 1985 to 10.3 percent in 1998.

The service sector's output rose from 53.9 percent of GDP in 1985 to 68.2 percent in 1998.

Employment in Alberta's advanced technology industries stands at over 90,000 people, and has grown annually by an average of 11 percent over the past five years.

Since 1994, the fastest growing segments of the Alberta economy in terms of real output have been wholesale trade (up 38.9 percent); business services, such as computer software, and professional, scientific and technical services (up 34.1 percent) and manufacturing (up 28 percent).

- There are over 1,500 software development and computer service companies in Alberta, and more than 250 companies engaged in electronic design and manufacturing.
- Calgary is becoming a distribution and transportation hub, reflected in strong job growth in wholesale trade and transportation.
- Business services has been one of the fastest growing sectors of the economy. In the first seven months of this year alone, 6,300 jobs were created in professional, scientific and technical services, mostly in computer system design.
- Alberta is the most "wired" province in Canada, with 50.8 percent of households using the Internet regularly, higher than the national average of 41.8 percent.

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Alberta's
NEW ECONOMY

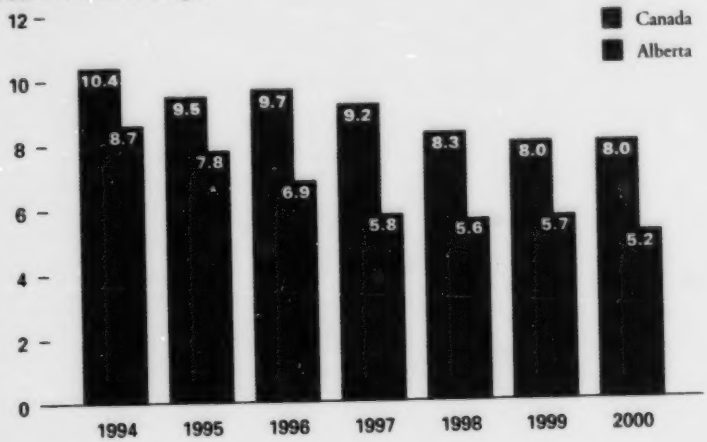
Employment and Wages

A healthy economy creates a growing workforce and boosts wages.

more jobs

Alberta had the strongest employment growth in Canada between 1994 and 1999, averaging 3.1 percent, compared to 2.1 percent at the national level. At the same time, the province's unemployment rate dropped sharply and remained well below the national average.

Unemployment Rate, Alberta versus Canada
(percent annual average)



In 1999, the Alberta economy created 37,900 new jobs, almost 80 percent of which were full-time positions. These new jobs helped reduce the unemployment rate to 5.7 percent.

Strong employment growth has continued through the first seven months of this year. Employment is up by 34,900 jobs, or 2.3 percent, over last year, with gains fairly widespread across industry.

higher wages

Total wages and salaries increased by 6.4 percent in Alberta last year and they continue to climb. During the first five months of 2000, total wages and salaries were up 8.6 percent compared to the same period last year, and average wage and salary income rose 5.6 percent per employee.

Personal incomes will continue to grow in 2000 because of provincial and federal tax cuts that let Albertans keep more of what they earn. The provincial government alone is reducing taxes by $144 million this year.

- The Help Wanted Index, an indicator used to gauge hiring intentions, was up 22.4 percent in the first seven months of this year over last year, suggesting that employment prospects remain excellent.
- 13,700 new jobs were created in the construction industry this year.
- Most of the jobs created in the first seven months of 2000 were in the service sector, particularly in trade, accommodation and food services, transportation and professional, scientific and technical services.

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Alberta's
NEW ECONOMY

Alberta's Tax Advantage

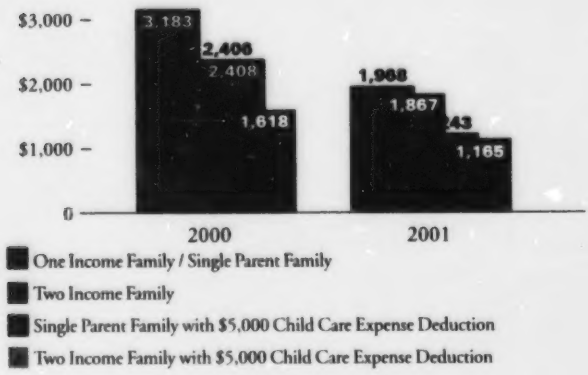
Alberta's tax advantage is a key ingredient in enhancing Alberta's attractiveness as a place to live, work and invest.

lower taxes

When the new Alberta tax system takes effect on January 1, 2001, the base personal and spousal exemptions will nearly double to $12,900. The new single rate of tax on income will be 10.5 percent.

These changes, which come a year ahead of schedule, will increase the annual tax savings to Albertans to $1.3 billion, a 20-percent tax cut. In addition, about 190,000 Albertans with lower incomes will be taken off the provincial tax rolls completely.

Comparison of Alberta Income Taxes Payable by Families with $55,000 Income and Two Children



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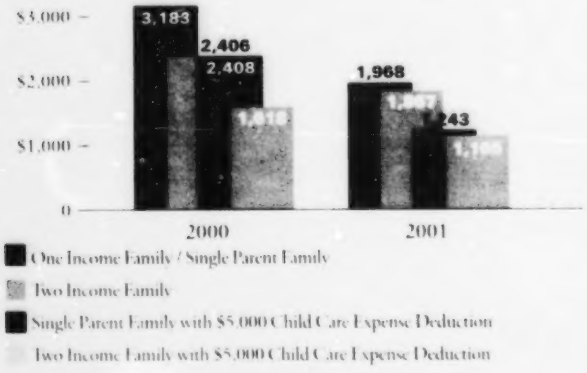

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The Road Ahead

strong short-term outlook

Alberta's short-term economic outlook is even better than expected.

By the end of 2000, government economists expect Alberta's economy to have grown by a substantial 6.1 percent, due to strength in exports, cuts to personal income taxes and high energy prices. About 36,000 new jobs are expected to be created, reducing unemployment to 5.2 percent.

Private sector forecasters are similarly optimistic, calling for five percent growth in 2000 and 4.1 percent in 2001.

Both public and private sector economists predict that our province will be among the top three Canadian provinces in terms of growth in both 2000 and 2001. Some forecasters expect Alberta to lead the country.

stable medium-term outlook

Over the medium-term, the government expects Alberta's economy to grow by 3.2 percent per year on average. This rate is considered strong, and more sustainable than the higher growth rates predicted for the short-term.

The energy sector will remain a key player in the Alberta economy, with anticipated lower production in conventional oil expected to be offset by investments in the oil sands and natural gas.

Manufacturing is expected to grow with increased vigour, especially in telecommunications and electronics; furniture; construction materials; fabricated metals; agri-foods; petrochemicals; machinery and equipment (particularly related to transportation and the energy sector); and forest products. Knowledge-based industries will continue to be a major driver in growth over the next five years.

Alberta's
NEW ECONOMY

Planning for Success

The world is changing quickly. Knowledge, innovation, research and technology are becoming increasingly important in all sectors of Alberta's economy.

The Government of Alberta is taking the necessary steps to help sustain the province's economic growth. The strategy outlined in *Get Ready Alberta - Strengthening the Alberta Advantage* builds on the province's strengths and lays out bold targets in support of four goals:

1. Alberta is a world leader in innovation, research, development and commercialization of new ideas.
2. All Albertans have the opportunities they need to learn, adapt and develop new knowledge and new skills.
3. Alberta is internationally recognized as a good place to invest and do business. Alberta businesses compete and succeed in the global marketplace.
4. Albertans enjoy an unmatched quality of life in a province that is recognized as the best place to live, work and visit.

The Alberta Government has already taken major steps towards these goals in the last several months.

- Personal income taxes are being reduced and reformed, and business taxes are being examined to ensure Alberta remains competitive.
- A $500 million endowment established the Alberta Heritage Foundation for Science and Engineering Research.

- Post-secondary institutions received a total of $10 million to modernize or replace outdated instructional equipment.
- Over the next two years, provincial Access Funding will create 2,113 new student spaces in the high-tech and high-demand Information and Communication Technology (ICT) field.
- In 2000-01, the Government of Alberta will invest about $1.1 billion through Alberta Learning in the province's growing post-secondary education system.
- Connectivity 2000 sessions are being held to encourage the use of new knowledge-based technologies, particularly e-commerce, as a way to access new markets.
- Alberta invested $96.5 million in research and development in 1999-2000, which leveraged out to more than $556 million in R&D projects.
- Alberta has introduced a six-point plan to protect and improve the publicly funded and administered health care system, including a major injection of funds to reduce waiting lists and increase access to long-term care services.
- The Northern East Slopes Sustainable Resource and Environmental Management Strategy was introduced to integrate economic, environmental and community values in sustainable development.

Alberta's economic strategy:

- unleashing innovation;
- leading the world in learning;
- competing in the global marketplace; and
- making Alberta the best place to live, work and visit.

- Albertans are among the most skilled and educated people in North America. An impressive 55 percent of those between the ages of 25 and 54 have a post-secondary education.
- The province's recent shift in focus towards lifelong learning reflects the reality of life in the 21st century. To stay competitive in a rapidly changing high-tech world, Albertans must strive to continually acquire new knowledge and updated skills.

Highlights

- Alberta's economy grew an average of 3.9 percent per year between 1994 and 1999, the highest rate of growth in the country.

- Alberta leads the country in private sector investment per capita, at almost double the national average.

- Alberta enjoys the strongest productivity growth in Canada (1.7 percent per year between 1984 and 1998), and the highest level of productivity of all the provinces.

- Alberta has led the country in the creation of employer businesses over the last five years, with 22,400 new businesses created in Alberta since 1994. Alberta has also led the country in the creation of small businesses (less than 10 employees), with 16,300 new small businesses created in the province during the same time period.

- Alberta has the highest level of retail sales per capita in Canada.

- Alberta's international exports increased by 11 percent in 1999.

- Numbers for the first half of 2000 compared to the same period last year show a 60-percent increase in international exports, a nine-percent increase in new housing starts, and a 9.8-percent increase in retail sales.

- Over the past five years, the fastest growing segments of the Alberta economy in terms of real output have been wholesale trade, business services and manufacturing.
- Calgary has the second highest number of corporate headquarters of any city in Canada, second only to Toronto.

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For more information

You can receive additional copies of this booklet by calling 310-0000 (toll-free) or on the Internet at **www.gov.ab.ca/neweconomy**

You can also visit these websites to learn more about Alberta's economy.

Government of Alberta	**www.gov.ab.ca**
Alberta Treasury	**www.treas.gov.ab.ca**
Alberta Economic Development	**www.alberta-canada.com**

To share your feedback

To share your thoughts, ideas and questions about Alberta's new economy, you can write to

Deputy Minister, Alberta Economic Development
6th floor, Commerce Place
10155 - 102 Street
Edmonton, AB
T5J 4L6

or complete an electronic feedback form at
www.gov.ab.ca/neweconomy